
First Maritime Mining Corporation Limited

(No Personal Liability)

Annual Report

For the year ended December 31,

1977



First Maritime Mining Corporation Limited

(No Personal Liability)

Incorporated under the laws of New Brunswick on December 30, 1955

DIRECTORS

R. J. ISAACS. Islington, Ontario
A. G. KIRKLAND. Saint John, New Brunswick
D. A. MACFARLANE. Saint John, New Brunswick
DR. A. L. McALLISTER. Fredericton, New Brunswick
L. McC. RITCHIE. Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE. *President*
A. G. KIRKLAND. *Vice-President*
D. A. MACFARLANE. *Secretary and Treasurer*
MRS. M. JONES. *Asst. Secretary*

HEAD OFFICE

GOLDEN BALL BUILDING. Saint John, New Brunswick

MINE OFFICE

GULLBRIDGE MINES. Badger, Newfoundland

AUDITORS

COOPERS & LYBRAND. Saint John, New Brunswick

TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA. Toronto, Ontario

ANNUAL MEETING

April 4, 1978, 2:30 P.M. (Saint John time)
Golden Ball Building, Saint John, New Brunswick

First Maritime Mining Corporation Limited

(No Personal Liability)

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors submit herewith the annual report of the Corporation for the year ended December 31, 1977 which includes the consolidated financial statements for that year and the auditors' report thereon.

The Corporation continues to hold its investment of 1,766,353 shares of Brunswick Mining and Smelting Corporation Limited (Brunswick). Earnings for Brunswick in the nine months ended September 30, 1977 were \$3,813,000 (11.1c per share) compared with \$7,541,000 (21.7c per share) for the twelve months ended December 31, 1976. The 1977 earnings were affected by lower metal prices (particularly zinc) which caused the company to devalue its metal and concentrate inventory by \$4.5 million. In addition, steps were taken to reduce its cash outflows. Capital expenditures have been deferred or curtailed and the dividend payment expected in the second half of 1977 was passed. As a result of the latter item, your Corporation's income for 1977 was over \$88,000 less than the 1976 income.

The physical assets at the Gullbridge property have been for the most part, retained intact. Although no immediate use can be seen for these assets, your directors believe that ultimately, they will be profitably utilized in the mining industry.

In September, 1976, your Corporation borrowed U.S. \$2,300,000 from Mercantile Bank and Trust Company Limited, Freeport, Bahamas (Mercantile). This loan was secured by a pledge of shares of Brunswick. In May, 1977, your directors learned Mercantile had been declared insolvent and since then permanent trustees have been appointed to supervise its liquidation. While this occurrence need not, of itself, cause any change in the financing arrangements of your Corporation, circumstances related to Mercantile have indicated to your directors that all alternatives, including that of refinancing this loan, should be considered.

There has been no change in the Board of Directors or management of the Corporation in 1977.

On Behalf of the Board
L. McC. RITCHIE,
President.

Saint John, N.B.
February 10, 1978

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS
801 BRUNSWICK HOUSE
SAINT JOHN, N. B., CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of First Maritime Mining Corporation Limited (No personal liability) as at December 31, 1977 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Subject to the determination of realizable value of the fixed assets of Gullbridge Mines Limited, as stated in note 2, in our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND

Chartered Accountants

January 27, 1978

CONSOLIDATED BALANCE SHEET

ASSETS

	1977 \$	1976 \$
Current Assets		
Cash and short-term deposits.	28,955	203,363
Accounts receivable.	<u>1,287</u>	<u>42,269</u>
	<u>30,242</u>	<u>245,632</u>
Investments		
Shares in Brunswick Mining and Smelting Corporation Limited — at cost (note 3) 1,766,353 shares — quoted value \$6,536,000; (1976 — \$9,714,000).	<u>5,154,530</u>	<u>5,154,530</u>
Fixed Assets (note 2)		
Land, mining grants and mining licenses — at nominal value.	4	4
Buildings, equipment and surface structures at cost less accumulated depreciation.	<u>1,603,974</u>	<u>1,702,475</u>
	<u>1,603,978</u>	<u>1,702,479</u>
Deferred Expenditures		
Materials and supplies — at estimated realizable value.	<u>96,355</u>	<u>103,251</u>
	<u>6,885,105</u>	<u>7,205,892</u>

Signed on behalf of the Board:

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

Corporation Limited

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T AS AT DECEMBER 31, 1977

LIABILITIES

	1977 \$	1976 \$
Current Liabilities		
Accounts payable and accrued liabilities.	80,692	86,002
Current portion of long-term debt.	125,810	116,012
	<u>206,502</u>	<u>202,014</u>
Long-Term Debt (note 3)		
U.S. \$2,185,000 promissory note — secured.	2,390,390	2,320,240
Less: Current portion.	125,810	116,012
	<u>2,264,580</u>	<u>2,204,228</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 3)		
Authorized — 7,000,000 shares of \$1 par value		
Issued and fully paid — 5,371,280 shares.	5,371,280	5,371,280
Contributed Surplus.	8,766,794	8,766,794
Deficit.	(9,724,051)	(9,338,424)
	<u>4,414,023</u>	<u>4,799,650</u>
	<u>6,885,105</u>	<u>7,205,892</u>

First Maritime Mining Corporation Limited

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the year ended December 31, 1977

	1977 \$	1976 \$
Income		
Dividends.....	88,318	176,635
Interest.....	10,848	5,446
Other income.....	1,190	—
	<u>100,356</u>	<u>182,081</u>
Expenses		
Mine costs.....	42,701	39,007
Administration costs.....	47,008	39,727
Interest on long-term debt.....	204,215	216,351
Exploration.....	—	15,127
Loss on foreign exchange.....	192,059	98,059
	<u>485,983</u>	<u>408,271</u>
Loss for the year.....	385,627	226,190
Deficit—Beginning of year.....	9,338,424	9,112,234
Deficit—End of year.....	<u>9,724,051</u>	<u>9,338,424</u>
Loss per share.....	<u>.07</u>	<u>.04</u>

First Maritime Mining Corporation Limited

(No Personal Liability)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1977

	1977 \$	1976 \$
Source of Working Capital		
Increase in long-term debt.	60,352	2,204,228
Proceeds on sale of fixed assets.	100,042	28,034
Decrease in other assets.	6,896	38,268
	<u>167,290</u>	<u>2,270,530</u>
Use of Working Capital		
Used in operations —		
Loss for the year.	385,627	226,190
Deduct: Item not affecting working capital —		
Depreciation.	661	—
	<u>384,966</u>	<u>226,190</u>
Purchase of fixed assets.	2,202	—
	<u>387,168</u>	<u>226,190</u>
Increase (Decrease) in Working Capital.	(219,878)	2,044,340
Working Capital (Deficiency) — Beginning of Year.	43,618	(2,000,722)
Working Capital (Deficiency) — End of Year.	<u>(176,260)</u>	<u>43,618</u>

First Maritime Mining Corporation Limited

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1977

1. Basis of Consolidation

The consolidated financial statements include the accounts of Gullbridge Mines Limited and Little Bay Power Corporation Limited.

2. Fixed Assets

Gullbridge Mines Limited closed its mine on December 5, 1971. At this time it is not possible to estimate the realizable value of fixed assets of Gullbridge having a book value of \$1,603,974, as follows:

	1977 \$	1976 \$
Buildings, equipment and other surface installations — at cost.....	4,976,080	5,073,920
Accumulated depreciation.....	<u>3,372,106</u>	<u>3,371,445</u>
	<u>1,603,974</u>	<u>1,702,475</u>

No annual provision for depreciation has been made since 1971, with the exception of depreciation for the year of \$661 on an automobile purchased in 1977.

In 1972 Gullbridge Mines Limited wrote off fixed assets with a cost of \$1,145,969 and a net book value of \$435,287. These represent dams and surface equipment at the site of the closed mine.

3. Long-Term Debt and Capital Stock

(a) The long-term debt is payable in United States funds and has been translated at the exchange rate prevailing at December 31, 1977.

Interest is calculated on a six month basis at 2% over the then six month London Inter-Bank Offer Rate. For the six months ending April 1, 1978, the rate on which interest is calculated is 9-1/4%.

The note is repayable as follows, excluding interest:

	United States \$	Canadian \$ translated at rates of exchange prevailing at the balance sheet date
October 1, 1978	115,000	125,810
October 1, 1979	115,000	125,810
October 1, 1980	115,000	125,810
October 1, 1981	1,840,000	2,012,960
	<u>2,185,000</u>	<u>2,390,390</u>

The long-term debt is secured by 1,619,000 shares of Brunswick Mining and Smelting Corporation Limited, which may increase depending on the debt outstanding, the prevailing exchange rate and the market value of the Brunswick Mining and Smelting shares.

(b) Outstanding agreement —

Falconbridge Nickel Mines Limited, under existing agreements, has the right to participate to the extent of one-third in any future financing which might be arranged by the company.

4. Remuneration of Directors and Senior Officers

Total direct remuneration paid or payable to directors and senior officers for 1977 amounted to nil.

5. Anti-Inflation Act

As the company's shares are listed on the Toronto Stock Exchange, it is subject to part 3 of the Anti-Inflation Act Regulations respecting dividends.

